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CORPORATION FILE

MONTGOMERY WARD
Seventy-Seventh Annual Report
Twelve Months Ended
January 31
1949

BOARDS

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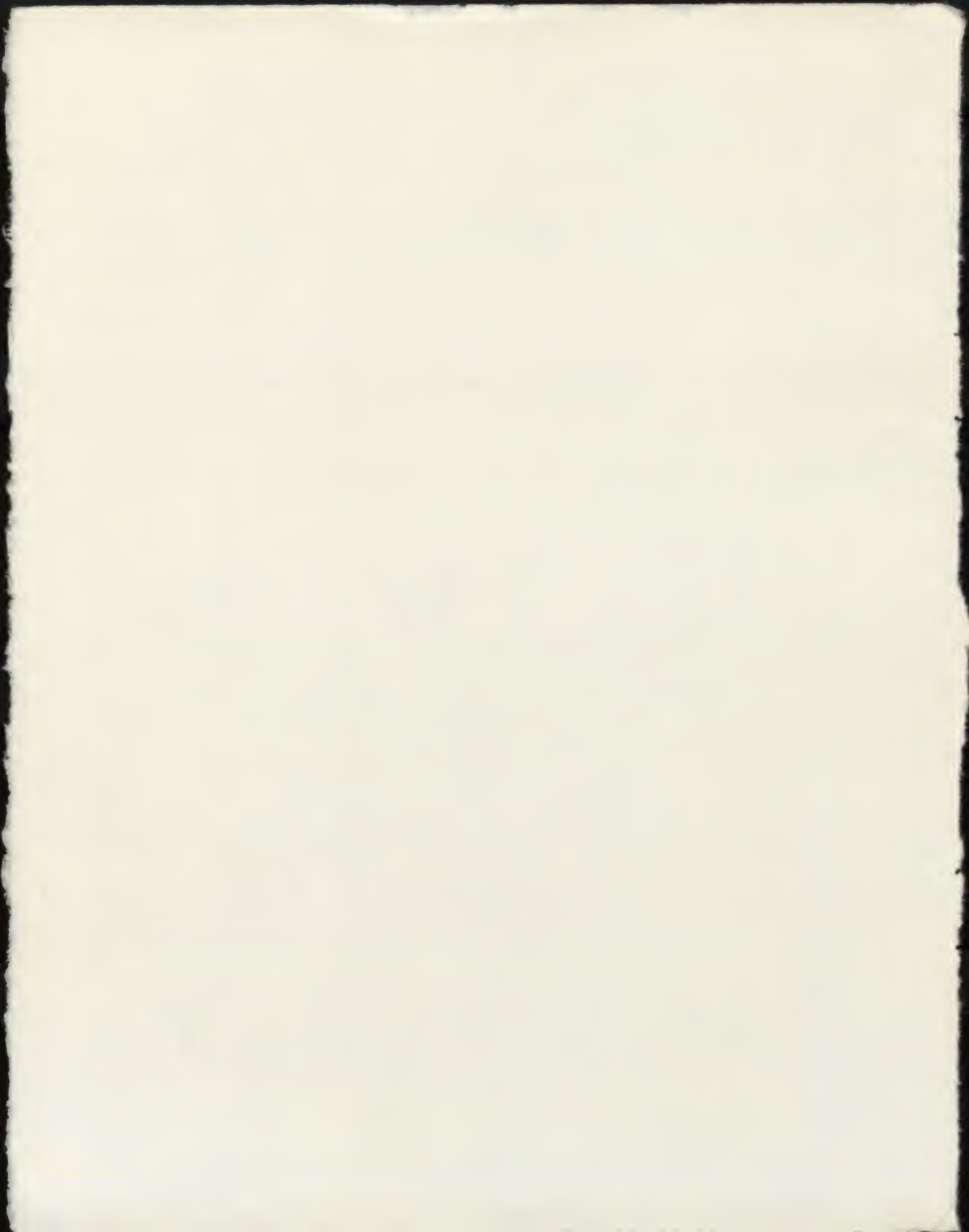
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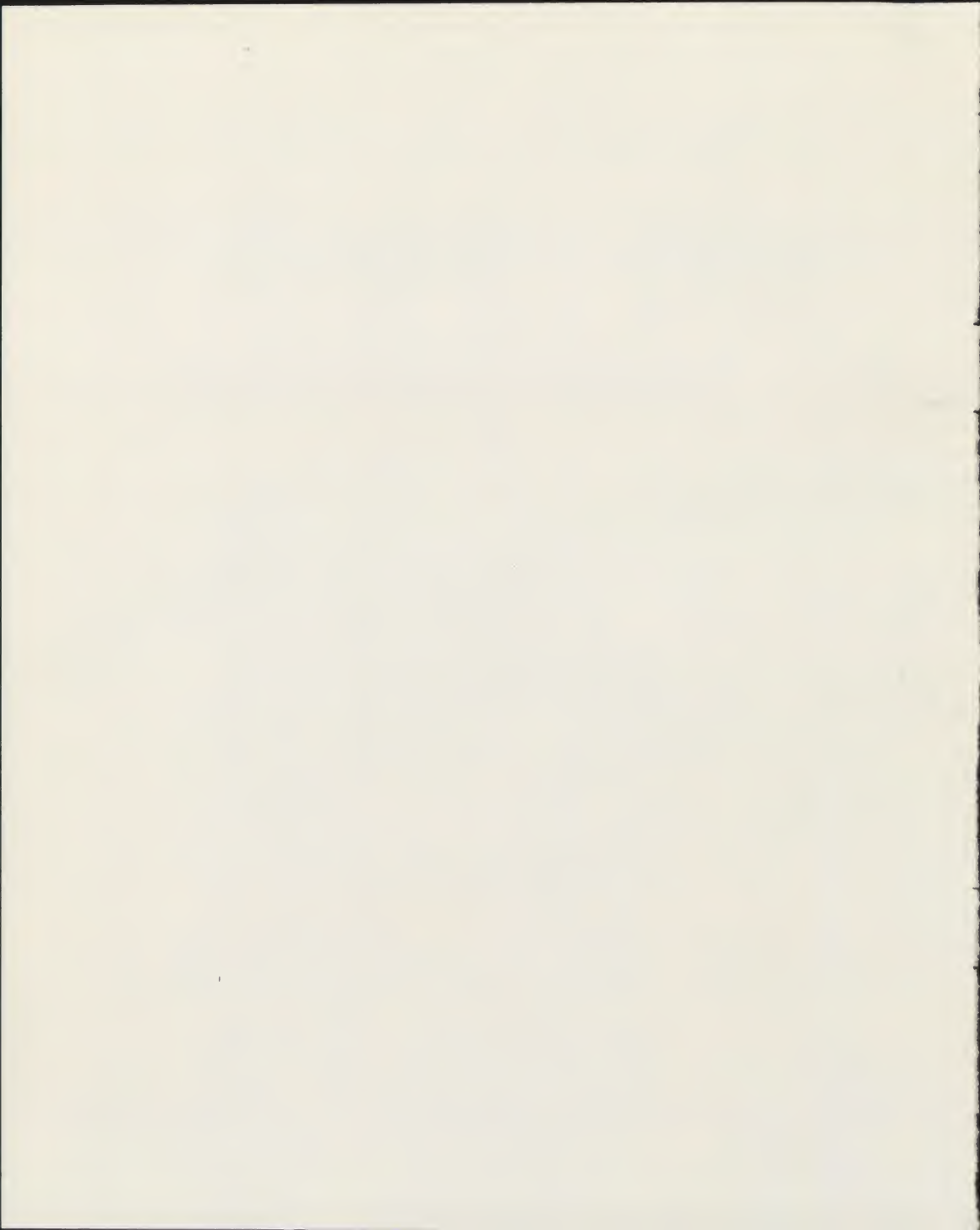
Montgomery Ward & Co.

INCORPORATED

(AN ILLINOIS CORPORATION)



Seventy-Seventh Annual Report
Twelve Months Ended
January 31, 1949



Chicago, March 23, 1949

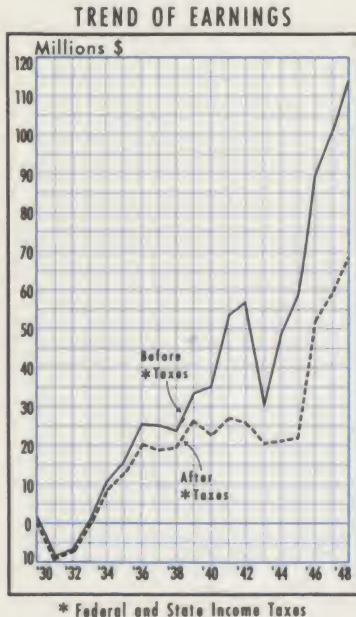
To the Stockholders of

Montgomery Ward & Co.:

Net earnings for the year ended January 31, 1949 were \$68,232,076, equivalent to \$10.28 per share

on the outstanding common stock, after deducting dividends paid on the Class "A" stock. The comparable earnings for the preceding year were \$59,050,066, or \$8.86 per share.

Net sales for the year increased \$53,281,000, to a total of \$1,211,956,000. During the year there



prevailed various phases of merchandising. Early in the year there were shortages in many lines. During the middle of the year the greater availability of merchandise brought supply and demand into balance. Later in the year a still greater supply, and growing resistance against high prices, brought about a decline in demand, in price levels, and in volume of sales.

Customers' time payment accounts increased \$31,480,000 during the year, to \$184,201,000 on January 31, reflecting a more normal ratio of time payment sales to total sales resulting from the more adequate supply of merchandise customarily sold in this manner.

Merchandise inventories were reduced \$18,013,000 during the year, to \$259,284,000, and outstanding commitments for the purchase of merchandise were reduced \$100,000,000, to \$98,000,000. The reduction in the amount of merchandise on hand and on order

reflects the conservative merchandising policy required by the uncertainty of consumer demand and the trend toward lower prices.

Working capital increased \$46,324,000 during the year, to \$412,948,000. The ratio of current assets to current liabilities on January 31 was 4.9 to 1.

The supply of quality merchandise available to customers is now, in almost all instances, adequate to satisfy demand. Retailers must again actively compete for sales. The Company is following a conservative policy with respect to inventories and operations generally, in keeping with the prevailing economic uncertainties.

Respectfully submitted,

SEWELL AVERY,

Chairman of the Board

Montgomery

Balance Sheet —

ASSETS

Current Assets:

Cash.....	\$ 21,151,543	
U. S. Government securities (short term).....	66,990,025	
Receivables—		
Customers' time payment accounts.....	\$ 184,200,766	
Customers' charge and other accounts....	7,948,936	
Due from suppliers, claims receivable, etc..	6,582,180	
	<u>\$ 198,731,882</u>	
Less—Reserves for doubtful accounts and collection expense.....	26,408,818	172,323,064
Merchandise inventories (priced at the lower of cost or market).....	259,284,237	
Total current assets.....		<u>\$ 519,748,869</u>

Prepaid Catalog Costs and Expenses

19,264,070

Properties and Equipment (at cost):

Land.....	\$ 5,983,610	
Buildings, fixtures and equipment.....	\$ 71,720,517	
Less—Depreciation reserves.....	41,493,163	30,227,354
Leasehold improvements (less amortization)...	3,650,971	39,861,935
		<u>\$ 578,874,874</u>

Ward & Co.

January 31, 1949

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current Liabilities:

Accounts payable.....	\$ 34,149,060	
Due customers.....	10,377,360	
Accrued expenses and miscellaneous taxes.....	15,796,915	
Federal income taxes.....	46,477,088	
	<hr/>	
Total current liabilities.....		\$ 106,800,423

Reserves:

Possible future inventory price decline.....	\$ 26,000,000	
Self-insurance and contingencies.....	4,045,064	30,045,064
	<hr/>	

Stockholders' Investment:

Class "A" Stock—		
Authorized 205,000 shares of no par value, non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.....	\$ 20,155,400	
Common Stock—		
Authorized 10,000,000 shares of no par value; issued 6,502,378 shares, at stated value.....	211,231,385	
Earned surplus—representing earnings reinvested in the business.....	210,642,602	442,029,387
	<hr/>	<hr/>
		\$ 578,874,874
		<hr/>

Montgomery Ward & Co.

Statement of Earnings for the Years Ended January 31, 1949 and 1948

	1949	1948
Net Sales	<u>\$1,211,955,909</u>	<u>\$1,158,674,514</u>
Deductions:		
Cost of merchandise sold.....	\$ 840,137,673	\$ 803,288,113
Wages and salaries.....	173,526,777	167,768,238
Other expenses—net.....	57,905,252	61,586,710
Rents.....	12,523,581	11,375,962
Social security, property and sundry taxes....	9,851,811	9,117,685
Depreciation.....	3,363,739	3,337,740
Provision for Federal and state income taxes..	<u>46,415,000</u>	<u>43,150,000</u>
Total deductions.....	<u>\$1,143,723,833</u>	<u>\$1,099,624,448</u>
Net earnings for the year	<u><u>\$ 68,232,076</u></u>	<u><u>\$ 59,050,066</u></u>

Montgomery Ward & Co.

Statement of Earned Surplus Year Ended January 31, 1949

Balance January 31, 1948	\$163,328,538
Net earnings for the year	<u>68,232,076</u>
Total	\$231,560,614
Deduct—	
Dividends on Class "A" stock—\$7.00 per share \$ 1,410,878	
Dividends on Common stock—\$3.00 per share. .	<u>19,507,134</u> <u>20,918,012</u>
Balance January 31, 1949	<u><u>\$210,642,602</u></u>

Montgomery Ward & Co.

Statement of Money Provided from Operations and its Disposition During the Year Ended January 31, 1949

Money Provided from Operations:

Net earnings for the year.	\$68,232,076
Depreciation and amortization, increase in reserves for self-insurance, contingencies, etc. (charged against operations but not paid in cash) . . .	4,033,990
Proceeds from sale of land and buildings.	916,146
Total.	<u>\$73,182,212</u>

Disposition of Money Provided:

Dividends paid.	\$20,918,012
Additions and improvements to property and equipment	3,923,371
Prepaid catalog costs and expenses.	2,017,241
Retained as additional working capital.	46,323,588
Total.	<u>\$73,182,212</u>

Auditors' Certificate

To the Board of Directors,

Montgomery Ward & Co., Incorporated:

We have examined the balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) as of January 31, 1949 and the related statements of earnings, surplus, and money provided from operations and its disposition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, surplus, and money provided from operations and its disposition present fairly the financial position of the Company as of January 31, 1949, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 11, 1949

Montgomery

Comparative Balance

ASSETS

	1949	1948	1947	1946
Cash and U. S. securities.....	\$ 88,141,568	\$ 51,147,293	\$ 64,712,579	\$ 98,892,914
Receivables, less reserves.....	172,323,064	144,089,707	86,446,176	48,599,391
Merchandise inventories.....	259,284,237	277,297,355	237,884,673	137,599,751
Total current assets.....	\$519,748,869	\$472,534,355	\$389,043,428	\$285,092,056
Prepaid expenses.....	19,264,070	17,246,829	13,287,297	8,403,588
Investments, etc.....	—	—	—	—
Properties and equipment....	39,861,935	40,259,826	39,364,614	39,654,992
Total	<u>\$578,874,874</u>	<u>\$530,041,010</u>	<u>\$441,695,339</u>	<u>\$333,150,636</u>

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current liabilities.....	\$106,800,423	\$105,909,497	\$ 55,897,110	\$ 44,484,135
Reserves.....	30,045,064	29,416,190	29,276,048	19,025,719
Stockholders' Investment—				
Capital stock.....	231,386,785	231,386,785	231,325,697	167,125,235
Earned surplus.....	210,642,602	163,328,538	125,196,484	102,515,547
Total	<u>\$578,874,874</u>	<u>\$530,041,010</u>	<u>\$441,695,339</u>	<u>\$333,150,636</u>
Working capital (current assets less current liabilities) ..	\$412,948,446	\$366,624,858	\$333,146,318	\$240,607,921

Ward & Co.

Sheets as of January 31

1945	1944	1943	1942	1941	1940
\$ 95,509,773	\$ 77,203,467	\$ 44,104,978	\$ 15,955,864	\$ 16,413,449	\$ 14,396,412
48,693,043	42,054,432	53,539,393	91,073,514	94,715,917	78,880,212
<u>117,530,922</u>	<u>124,577,979</u>	<u>139,733,375</u>	<u>123,102,953</u>	<u>101,710,763</u>	<u>96,323,612</u>
\$261,733,738	\$243,835,878	\$237,377,746	\$230,132,331	\$212,840,129	\$189,600,236
8,819,426	8,789,158	9,345,872	10,508,082	8,357,296	7,153,715
4,505,000	2,685,000	2,045,000	678,173	856,718	5,234,916
<u>41,753,415</u>	<u>44,278,550</u>	<u>46,360,093</u>	<u>48,981,230</u>	<u>49,623,060</u>	<u>49,848,029</u>
<u>\$316,811,579</u>	<u>\$299,588,586</u>	<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>	<u>\$251,836,896</u>
\$ 39,652,470	\$ 31,777,287	\$ 36,986,928	\$ 51,239,949	\$ 49,362,756	\$ 40,704,949
18,605,180	18,698,037	17,860,447	7,370,943	1,132,067	1,132,412
149,035,664	149,035,664	149,035,664	149,035,664	149,035,664	149,035,664
<u>109,518,265</u>	<u>100,077,598</u>	<u>91,245,672</u>	<u>82,653,260</u>	<u>72,146,716</u>	<u>60,963,871</u>
<u>\$316,811,579</u>	<u>\$299,588,586</u>	<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>	<u>\$251,836,896</u>
\$222,081,268	\$212,058,591	\$200,390,818	\$178,892,382	\$163,477,373	\$148,895,287

Montgomery

Comparison of Sales,

YEAR ENDED JANUARY 31	NET SALES	EARNINGS BEFORE INCOME TAXES	INCOME TAXES	NET EARNINGS
1949	\$1,211,955,909	\$114,647,076	\$46,415,000	\$68,232,076
1948	1,158,674,514	102,200,066	43,150,000	59,050,066
1947	974,256,649	89,902,182	37,620,000	52,282,182
1946	654,778,682	58,257,025	35,325,000	22,932,025
1945	620,968,523	49,065,839	27,780,000	21,285,839
1944	595,932,821	31,932,098	11,255,000	20,677,098
1943	635,006,979	57,597,584	31,160,000	26,437,584
1942	632,708,657	54,011,716	26,660,000	27,351,716
1941	515,910,915	35,083,017	12,055,000	23,028,017
1940	474,882,032	34,310,645	7,300,000	27,010,645
1939	413,961,241	24,044,956	4,400,000	19,644,956
1938	414,090,544	25,110,029	5,900,000	19,210,029
1937	361,297,059	25,198,914	5,000,000	20,198,914
1936	293,042,357	16,837,310	3,310,000	13,527,310
1935	249,805,721	11,161,054	2,000,000	9,161,054
1934	187,632,543	2,227,957	—	2,227,957

Ward & Co.

Earnings, and Surplus

COMMON STOCK EARNINGS PER SHARE		DIVIDENDS	RESERVE FOR FUTURE INVENTORY	EARNED SURPLUS	COMMON STOCKHOLDERS' INVESTMENT
BEFORE TAXES	AFTER TAXES		PRICE DECLINE		PER SHARE
\$17.41	\$10.28	\$20,918,012	\$26,000,000	\$210,642,602	\$64.86
15.50	8.86	20,918,012	26,000,000	163,328,538	57.59
13.62	7.83	19,601,245	26,000,000	125,196,484	51.74
10.90	4.12	11,845,172	16,000,000	102,515,547	47.82
9.13	3.81	11,845,172	16,000,000	109,518,265	45.70
5.85	3.69	11,845,172	16,000,000	100,077,598	43.89
10.77	4.79	11,845,172	15,000,000	91,245,672	42.19
10.08	4.97	11,845,172	5,000,000	82,653,260	40.54
6.45	4.14	11,845,172	—	72,146,716	38.53
6.31	4.91	11,845,172	—	60,963,871	36.38
4.34	3.50	9,236,598	—	45,798,398	33.48
4.54	3.41	11,832,663	—	35,390,040	31.48
5.21	4.12	19,318,175	—	28,012,674	29.98
3.38	2.65	2,469,036	—	27,131,935	28.46
2.16	1.72	2,116,317	—	16,374,450	26.01
.18	.18	1,058,158	—	9,640,643	24.44

Montgomery Ward & Co.

DIRECTORS

SEWELL L. AVERY, *Chairman*

PHILIP R. CLARKE

WILLIAM L. KEADY

DAVID A. CRAWFORD

DONALD R. McLENNAN, JR.

GEORGE A. EASTWOOD

ARTHUR C. ROMER

PERCY B. ECKHART

SOLOMON A. SMITH

MERLE J. TREES

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ARTHUR C. ROMER.....*Vice-President*

WILLARD H. SAHLOFF.....*Vice-President*

ALBERT O. STEFFEY.....*Vice-President*

ARTHUR R. CAHILL.....*Treasurer*

EDMUND A. KRIDER.....*Controller*

STUART S. BALL.....*Secretary*

JOHN M. CLARK.....*Assistant Treasurer*

EDWARD H. COLLINS.....*Assistant Treasurer*

JOHN A. BARR.....*Assistant Secretary*

RALPH G. CRANDALL.....*Assistant Secretary*

Transfer Agents

THE NORTHERN TRUST CO., CHICAGO, ILL.

J. P. MORGAN & CO. INCORPORATED, NEW YORK, N. Y.

Registrars

THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.

BANKERS TRUST COMPANY, NEW YORK, N. Y.

